

Prepaid Affordable College Tuition Program

P.A.C.T. Program

MasterPACT

For Spring 1990 Enrollment Period
March 21, 1990 - May 31, 1990

SECTION I—INTRODUCTION

This MasterPACT describes the basic terms and conditions of the Prepaid Affordable College Tuition Program (the "P.A.C.T. Program"), and the obligations and responsibilities of the State Treasurer on behalf of the Board of Trustees (the "Board") of the Wallace-Folsom Prepaid College Tuition Trust Fund (the "Trust Fund"), as defined by Title 16, Sections 33C-1 through 33C-8, *Code of Alabama*, 1975, (as last amended).

The Application completed by the Contract Purchaser, this MasterPACT, and the Payment Schedule constitute the Contract between the Contract Purchaser and the State Treasurer of the State of Alabama, as chairman of, and on behalf of, the Board. This Contract is subject to the Program Description, Rules, Regulations and Procedures (the "Rules") adopted by the Board.

SECTION II—DEFINITIONS

The definitions of terms included in the provisions of Title 16, Section 33C-3, *Code of Alabama*, 1975, (as last amended), and in the applicable provisions of the Rules, as amended from time to time, shall apply to the Contract and are incorporated herein by reference.

2.01 "Qualified Beneficiary" means a resident of this state at the time a Purchaser enters into a prepaid tuition Contract on behalf of the resident or a minor child of a noncustodial parent who is a resident of this state.

2.02 "Purchaser" means any adult person, any corporation, or any organization who is obligated to make advance tuition and Mandatory Fee payments, and administrative fee payments, in accordance with the Contract. The Purchaser will receive any refunds that may be due pursuant to a Contract. Only one individual, corporation, or organization may be named as the Contract Purchaser.

2.03 "Application" means a request for acceptance into the P.A.C.T. Program, made on a form, or a duplicate form, approved by the State Treasurer.

2.04 "P.A.C.T. Application (Enrollment) Period" means any period designated by the State Treasurer during which Applications for enrollment in the P.A.C.T. Program will be accepted by the State Treasurer.

2.05 "Payment Schedule" means the document prepared by the State Treasurer defining the frequency, duration, and due date of Contract payments based on information provided in the Application. For Purchasers making a onetime, lump sum payment, the invoice will constitute the Payment Schedule.

2.06 "Projected College Entrance Date" means the projected date on which the Qualified Beneficiary is expected to enter college. It is calculated by the State Treasurer based on information provided by the Purchaser in the Application.

2.07 "Official Change Period" means any period so designated by the State Treasurer during which the Purchaser may submit a written request for approval of changes in the Contract.

2.08 "Scholarship" means grants or other financial aid awarded to a Qualified Beneficiary in an amount sufficient to pay a portion or all of the same benefits as are guaranteed under a Contract.

2.09 "Disability of the Qualified Beneficiary" means a disability which, based on the findings of a health care professional, and on approval of these findings by the State Treasurer, renders the Qualified Beneficiary incapable of participating in higher education.

2.10 "Current Tuition Value" means an amount equal to the present value of the total of Instate Tuition plus Mandatory Fees expected to be charged by Alabama public four-year postsecondary institutions minus the present value of the remaining payments due on the Contract at the time the calculation of Current Tuition Value is made.

2.11 "Redemption Value" means the sum of all Contract payments paid to date, not including fees paid to the P.A.C.T. Program, minus any amounts paid by the Trust Fund to Postsecondary Institutions on behalf of the Qualified Beneficiary, and minus a Cancellation Fee or a Termination Fee.

2.12 "Cancellation" means voluntary discontinuation, at the Purchaser's request, of participation in the P.A.C.T. Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.13 "Termination" means involuntary discontinuation of the Purchaser's participation in the P.A.C.T. Program and of the Qualified Beneficiary's right to receive Contract benefits.

2.14 "Mandatory Fees" means those fees required as A CONDITION OF ENROLLMENT FOR ALL students attending the Postsecondary Institution in which the Qualified Beneficiary is enrolled. Fees which are considered to be Mandatory Fees are defined by the college or university in which the Beneficiary is enrolled.

2.15 "Instate Tuition" means the tuition rate charged to a student who meets the instate residency requirements of the particular Alabama Public Postsecondary Institution attended by the Qualified Beneficiary.

SECTION III—CONTRACT BENEFITS

The P.A.C.T. Program guarantees payment of undergraduate Instate Tuition and Mandatory Fees on behalf of the Qualified Beneficiary to the Alabama Public Postsecondary Institution in which the Qualified Beneficiary matriculates as follows:

(A) Payment of Instate Tuition of not more than one hundred thirty-five (135) semester hours or the academic equivalent units on a quarter system or other academic term basis OR payment of Instate Tuition until the award of a baccalaureate degree to the Qualified Beneficiary, whichever comes first, and

(B) Payment of Mandatory Fees for not more than eight (8) registrations on a semester system, twelve (12) registrations on a quarter system, or the comparable number of registrations on an academic equivalent basis for terms that are not semester or quarters.

CONTRACT BENEFITS ARE BASED ON INSTATE TUITION AND MANDATORY FEE RATES OF ALABAMA PUBLIC POSTSECONDARY INSTITUTIONS.

SECTION IV—PAYMENTS

4.01 General. Payments are due in the amounts and on the dates specified in the Payment Schedule.

4.02 Late Payments. A late fee of \$15.00 will be added to each payment not received by the State Treasurer within fifteen (15) days of the due date. If payments are habitually late, the contract may be Terminated.

4.03 Insufficient Funds. A fee of \$10.00 will be assessed for all payments returned for insufficient funds.

4.04 Default. Failure to make any payment within thirty (30) days of the date due will constitute default of the Contract. All rights of the Qualified Beneficiary under the Contract may be Terminated upon default.

4.05 Changes in Payment Schedule or in Payment Method. Request for a change in Payment Schedule or in payment method may be made during an Official Change Period and shall include payment of a \$15.00 administrative fee.

SECTION V—CANCELLATION, TERMINATION AND REFUND

5.01 General. Participation in the P.A.C.T. Program is strictly voluntary. Except for the circumstances described in Section 5.02, Cancellation or Termination shall entitle the Purchaser to a refund of the Redemption Value of the Contract. All refunds shall be paid in installments.

5.02 Death or Disability. If the Qualified Beneficiary dies or becomes disabled prior to matriculation, the Contract benefits may be transferred to an eligible Substitute Beneficiary, or the Purchaser may request a refund of the Current Tuition Value.

A request to transfer the Contract benefits to a Substitute Beneficiary or a request for a refund are required within 180 days of the date of death or Disability of the Qualified Beneficiary, or the refund provisions of Section 5.01 may apply.

5.03 Scholarship. If the Qualified Beneficiary receives a Scholarship, the Purchaser may request a refund of any overpayment of tuition and Mandatory Fees from the Qualified Beneficiary's college or university. An administrative fee will not be assessed.

5.04 Cancellation. If the Contract is cancelled because of reasons other than as stated in Section 5.02, and provided the Purchaser gives the State Treasurer at least thirty (30) days written notice of request for a refund, the Purchaser will receive a refund of the Redemption Value of the Contract, less a Cancellation fee of fifty percent (50%) of the amounts paid into the Trust Fund, excluding administrative fees, up to a maximum of \$150.00.

5.05 Termination. If the Contract is Terminated, the Purchaser will receive a refund of the Redemption Value of the Contract less a Termination fee of one hundred percent (100%) of the amounts paid into the Trust Fund, excluding administrative fees, up to a maximum of \$500.00.

SECTION VI—SUBSTITUTION, ASSIGNMENT OR TRANSFER

- 6.01 **Substitution of the Qualified Beneficiary.** Transfer of the Contract benefits to an eligible Substitute Beneficiary shall verify and include:
- (A) A written request for substitution of the Qualified Beneficiary addressed to the State Treasurer during an Official Change Period;
 - (B) A written statement and acceptable documentation verifying that the person who is to be substituted is a child, stepchild, adopted child, grandchild, niece, or nephew of the Contract Purchaser or the brother, sister, half brother, half sister, stepbrother, stepsister, legally adopted brother, legally adopted sister, or the first cousin of the original Qualified Beneficiary;
 - (C) The Substitute Beneficiary is a resident of Alabama or the minor child of a noncustodial parent who is a resident of Alabama;
 - (D) The Substitute Beneficiary is under the age of 18;
 - (E) The Substitute Beneficiary has not yet enrolled in a Postsecondary Institution;
 - (F) The Substitute Beneficiary is younger than the original Qualified Beneficiary and has a Projected College Entrance Date that is the same or later than the Projected College Entrance Date of the original Qualified Beneficiary;
 - (G) The substitution is made before the original Qualified Beneficiary matriculates in a Postsecondary Institution or utilizes any of the Contract benefits;
- and,
- (H) An administrative beneficiary substitution fee of \$55.00.
- If special permission is granted by the State Treasurer to transfer the Contract benefits to an older Substitute Beneficiary, whose Projected College Entrance Date is earlier than that of the original Qualified Beneficiary, the Purchaser must pay any additional Contract amount calculated by the State Treasurer.
- Upon substitution of a Qualified Beneficiary, the cost of the Contract will be recalculated. The new cost, if any, along with a revised Payment Schedule, if necessary, will be furnished to the Purchaser. The Purchaser must pay the Contract in full before the Substitute Beneficiary may utilize any of the Contract benefits.
- 6.02 **Assignment or Transfer.** Except as specifically provided herein, this Contract may not be assigned or transferred, nor may any interest in the rights or benefits in this Contract be assigned or transferred.

SECTION VII—TIME FOR EXERCISING CONTRACT BENEFITS

- 7.01 **Advanced or Delayed Exercise.** Contract benefits may be used for up to ten (10) years after the Projected College Entrance Date of the Qualified Beneficiary, or the actual college entrance date of a Qualified Beneficiary who is an accelerated student, subject to the Rules.

SECTION VIII—ADMINISTRATIVE FEES

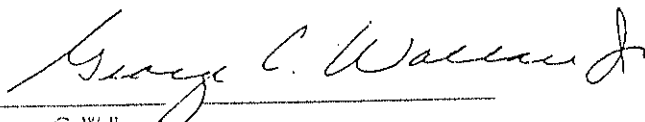
- 8.01 **Administrative Fees.** Administrative fees shall be assessed when an application is submitted for a Contract or when alterations are made in the ordinary services provided by the P.A.C.T. Program. The amount charged for each of these fees is subject to change during the life of any Contract.
- 8.02 **Fees Assessed.** Administrative fees include the following:
- (A) Application Processing Fee;
 - (B) Cancellation Fee;
 - (C) Termination Fee;
 - (D) Substitute Beneficiary Fee;
 - (E) Fee for Document Replacement or Copies;
 - (F) Fee for Failure to Provide Sufficient Notification of Intent to Use Contract Benefits;
 - (G) Fee for changes in Payment Schedule or in Payment Method;
 - (H) All other administrative fees established in the P.A.C.T. Program Rules.

SECTION IX—MATRICULATION AT AN INDEPENDENT/PRIVATE INSTATE OR AN OUT-OF-STATE POSTSECONDARY INSTITUTION

- 9.01 **General.** If the Qualified Beneficiary matriculates in an Independent/Private Instate Postsecondary Institution or in an Out-of-State Postsecondary Institution, the Current Tuition Value shall be forwarded each academic term to the Postsecondary Institution on an academically equivalent hourly basis subject to the provisions of the Contract. The amount forwarded will not exceed the cost of undergraduate tuition plus Mandatory fees of the Independent/Private Instate Postsecondary Institution or the Out-of-State Postsecondary Institution. A written request must be submitted to the State Treasurer thirty (30) days prior to the Qualified Beneficiary's matriculation each academic term. A \$25.00 processing fee will be assessed each academic term that the Contract benefits are forwarded.

SECTION X—MISCELLANEOUS PROVISIONS

- 10.01 **Notices and Changes.** All notices and changes made under the Contract must be in writing, signed by the Purchaser and received by the State Treasurer at the address listed on the Contract.
- 10.02 **Additional Fees Charged by Postsecondary Institutions.** Postsecondary Institutions may charge fees in addition to the Mandatory Fees described herein. The Qualified Beneficiary will bear the cost of any such additional fees which may include, but are not limited to, health fees, athletic fees, laboratory fees, and student activity fees.
- 10.03 **Matriculation.** At the time that the Qualified Beneficiary intends to begin using the Contract benefits, the Purchaser must submit written notification to the State Treasurer at least sixty (60) days prior to the projected commencement date for utilization of the Contract benefits. Failure to provide at least 60 days notice may result in assessment of an administrative fee of \$45.00.
- 10.04 **Identification Card.** To receive the Contract benefits, the Qualified Beneficiary must submit a valid Identification Card, issued by the State Treasurer, to the Qualified Beneficiary's Postsecondary Institution. No Identification Card will be issued unless the Qualified Beneficiary submits a social security number to the State Treasurer.
- 10.05 **Document Replacement or Copies.** A Purchaser may obtain replacement of P.A.C.T. Program documents or copies of documents from the State Treasurer. A \$7.00 fee per document shall be assessed.
- 10.06 **Annual Statements.** The Purchaser shall receive an annual statement from the State Treasurer indicating amounts paid into the Trust Fund.
- 10.07 **Disclaimers.** Nothing in the Contract will be construed as a promise or guarantee by the State Treasurer, the Board, employees or consultant of the State Treasurer and/or the Board, or the State of Alabama that a Qualified Beneficiary (a) will be admitted to a Postsecondary Institution; (b) will be admitted to a particular Postsecondary Institution; (c) will be allowed to continue to attend a Postsecondary Institution after having been admitted; (d) will be graduated from a Postsecondary Institution; (e) or, if admitted to a Public Postsecondary Institution, will meet that institution's residency requirements for Instate Tuition.
- 10.08 **Promulgation and Amendment of Rules, Regulations and Procedures.** The State Treasurer, on behalf of the Board, shall promulgate such other rules, regulations, and procedures as are deemed necessary to implement the P.A.C.T. Program and shall amend such rules, regulations and procedures as is necessary for operation of the P.A.C.T. Program.
- 10.09 **Waiver of Rules, Regulations and Procedures.** The State Treasurer may waive portions of these rules, regulations and procedures to prevent hardship of the Purchaser or of the Qualified Beneficiary.
- 10.10 **Interpretation.** This agreement is to be interpreted under the laws of the State of Alabama.
- 10.11 **Severability.** In the event that any clause or portion of the Contract is found to be invalid or unenforceable by a court of competent jurisdiction, that clause or portion shall be severed from the Contract and the remainder of the Contract will remain in full force and effect.


George C. Wallace Jr.
Chairman
Wallace-Folsom Prepaid College Tuition
Trust Fund/Prepaid Affordable College Tuition Program

